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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

21 AUG 1985

MEMORANDUM FOR: (See Distribution List)

FROM:

Director of Global Issues

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SUBJECT:

Iranian Arms Procurement: The Road Ahead

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In the next year and a half Iran will probably acquire about the same amount of ground forces equipment it has received in the last 18 months. Tehran's efforts to procure sophisticated weaponry to expand the scope of fighting, however, will probably be frustrated despite indications that some suppliers may be rethinking their policies on restricting arms sales to Iran. Several factors--US and moderate Arab pressure, Iraqi influence, and recurring suspicion of Iran--will check sales which would strengthen the Iranian military.

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2. Your comments and suggestions are welcome and may be addressed to Chief, International Security Issues Division, Office of Global Issues,

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Attachment: Copy 40 of 42

Iranian Arms Procurement: The Road Ahead

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GI M 85-10212C, 20 August 1985,

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Subject: Iranian Arms Procurement: The Road Ahead [REDACTED]

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

20 August 1985

Iranian Arms Procurement: The Road AheadSummary

Arms supply limitations will be one of the main military factors preventing Iran from escalating its war with Iraq over the next year and a half, but Tehran should continue to receive enough supplies to maintain the current level of hostilities. In part because of pressure from the United States and a number of Arab governments, suppliers are generally restricting both the level of sophistication and the quantity of arms supplied to Iran. Even Libya, which has provided SCUD missiles in the past and may do so again, appears to be dragging its feet because of Soviet pressure and disagreement with Iran over foreign policy issues. On the other hand, continued sales by East European states help Moscow lay the groundwork for good relations in the post-Khomeini period, while sales by other Communist and Western suppliers provide commercial gains. We expect North Korea to remain Iran's leading supplier, shipping large quantities of small arms, rockets, and artillery.

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This memorandum was prepared by [redacted] Arms Transfers Branch, Office of Global Issues. [redacted]

[redacted] The information contained herein is updated to 13 August 1985. Comments may be directed to [redacted] Chief International Security Issues Division, [redacted]

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GI M 85-10212C

Copy 40 of 42

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Iranian Arms Procurement: The Road AheadPurchases in the Next Year

We project that Iran will receive about \$1.5 billion worth of arms during the coming 18 months. This figure is based on our review of recent arms purchase agreements, estimates of what remains to be delivered from earlier agreements, and assessments of what Iran's principal suppliers are willing and able to sell.¹ Deliveries will consist mainly of ground forces items such as armored vehicles, ammunition, small arms, communications gear, and spare parts. The projected level of deliveries for the next 18 months--slightly less than deliveries since the beginning of 1984--will neither significantly increase nor decrease Iran's ability to fight its war with Iraq. [redacted]

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North Korea

North Korea will remain Iran's leading supplier, shipping large quantities of small arms, rockets, and artillery. We estimate that in the next year and a half North Korea will ship Iran nearly \$300 million worth of military goods on 1984-85 orders of about the same amount, in part spurred by Iranian demands for speedier deliveries. During the period 1981-83 North Korea was Iran's leading arms supplier, with deliveries totaling almost \$800 million. North Korea--in addition to being a reliable supplier--has been willing to engage in barter trade with Iran. Tehran generally tries to balance its arms purchases from North Korea with sales of oil. [redacted]

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¹In almost every year since 1980 the amount of arms received by Iran has corresponded closely to the amount it ordered over the previous year (tables 1 and 2). Iran's suppliers typically schedule completion of delivery one year after an agreement is signed to allow for the finalizing of financial and legal arrangements. [redacted]

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GI M 85-10212C

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Copy 40 of 42

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Libya

Based on recent orders, we believe Libya will provide Iran with about \$30 million worth of arms through the end of 1986. This would be about the same level of support Libya has given during the past 18 months. Since the beginning of 1984 Libya has provided at least 30 tanks, an unknown number of truck-mounted rocket launchers, and large quantities of artillery ammunition. Libya also helped Tehran temporarily expand the scope of the war in late 1984 by providing as many as 40 SCUD-B surface-to-surface missiles--some delivered despite Soviet protests. Libyan crews probably manned the launch sites and assisted in widely publicized firings of eight missiles against Baghdad and one against Kirkuk. In late June Iranian Assembly Speaker Rafsanjani visited Libya and initialed a strategic alliance between the two countries. [redacted] despite the alliance, Tehran is now having some trouble obtaining more SCUDs from Tripoli, probably because of unresolved foreign policy differences. We believe Libya is probably willing to continue supplying Iran with ground forces items and at least a few more SCUDs in return for a quid pro quo, perhaps cooperation in terrorist activities. In our view, however, the Libyans are unlikely to transfer other high-profile Soviet-made weapons such as jet fighters and warships. [redacted]

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Eastern Europe

We project that during the next 18 months the East European states as a group will--with Soviet approval--continue to be a major source for Iran of support equipment and ammunition. We base this judgment on the fact that arms agreements between Iran and East European states have nearly doubled in the past 18 months compared to those in the previous year and a half. The agreements amount to \$275 million, including trucks from East Germany, ammunition and spare parts from Czechoslovakia and Romania, and explosives from Poland. We estimate that deliveries during the coming 18 months will run close to \$275 million. This would be a drop from the level of deliveries in the past year and a half, but only because during this period East European suppliers cleared up a number of back orders. [redacted]

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Western Countries

We believe that Western arms deliveries to Iran in the next year and a half will fall off some from the \$800 million level of the last 18 months. Since January 1984 arms agreements between Western countries and Iran have totaled almost \$1 billion,

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consisting mainly of orders for ammunition and support equipment. We project, however, that the rate of delivery on these orders in the next year and a half will pale in comparison with the rate in the past 18 months, when Western suppliers cleared their backlog of orders after holding back during 1983 in response to US pressure. In our view, most Western suppliers are satisfied with occasional deliveries to Iran that allow them to profit without establishing regular arms supply relationships which might provoke international outcries. [REDACTED]

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The Gray Arms Market

Iranian acquisitions through the gray arms market--never large anyway--are unlikely, in our judgment, to grow during the next year. Iranian procurement officers have become wary of gray market deals because of the increasing number of illegitimate offers made by dealers. [REDACTED]

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[REDACTED] We estimate that since 1981 Iran has received less than 5 percent of its arms through the gray arms market--mainly small arms, ammunition, and spare parts. Gray market deliveries have little apparent impact on Tehran's warfighting ability, although they provide weapons of potential use to Iranian-sponsored terrorists. [REDACTED]

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The Broader Context of Sales

We expect our projections for the coming year to hold up despite Tehran's efforts to find more and better weapons and despite indications that some countries may be rethinking their policies on restricting sales of arms to Iran. Pressure by Washington and moderate Arab governments, Iraqi influence, and doubts in several capitals about the Khomeini regime will continue to limit the flow and types of arms acquired by Tehran and prevent Iran from significantly expanding the scope of the war. [REDACTED]

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Diplomatic Efforts and Policy Debates

The Soviet Union. [REDACTED] Moscow is interested in laying the groundwork for improved relations with Tehran in the post-Khomeini period. Soviet-approved arms sales by East European states, for example, are directed toward this goal. [REDACTED] Soviet interest in better relations has been heightened since March by intensified Iranian diplomatic approaches to Moscow and toned-down anti-Soviet propaganda. Moscow, for example, has agreed in principle to reopen a natural gas pipeline that has been closed for several years. [REDACTED]

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[REDACTED]

South Korea. Defense attache reports indicate that the ministries of Defense and Foreign Affairs are debating arms sales to Iran. During the period 1981-83 Tehran was the leading South Korean customer, with purchases of artillery ammunition in excess of \$275 million. Since late 1983 Seoul has acceded to US requests to ban further sales to Iran. Defense officials want to resume sales to Iran to take up some of the slack in the defense industry, which is operating generally below 40 percent capacity. The Foreign Ministry prefers to avoid antagonizing Washington or Arab trading partners. [REDACTED]

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Italy. We believe that economic inducements have fueled Rome's interest in maintaining some type of arms supply relationship with Tehran. [REDACTED]

[REDACTED]

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[REDACTED] The US Defense Attache in Rome reported in April that Italy has acceded to US requests to refuse arms sales to Iran since 1981. Rome, however, has not made a secret of its desire to reenter the Iranian market. In our view, the Italians have kept the door open to future sales to prevent Tehran from halting payments [REDACTED] and avoid reprisals against Italian personnel stationed in Iran. Contracts signed before 1981 continue to be honored, and available information indicates that Rome is willing to allow some new sales if they are made as addendums to older contracts. [REDACTED]

[REDACTED]

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United Kingdom. London is testing the waters on sales to Tehran of so-called non-lethal equipment. British officials told US Embassy officers last year that this category includes spare parts and ancillary equipment which does not improve Tehran's

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war-fighting capability. This rationale guided London's decision in March 1984 to release to Iran an oiler and two support ships ordered by the Shah's government. The oiler was delivered in February and the support ships in April. [REDACTED]

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Factors Favoring a Continuation of the Status Quo

US and Moderate Arab Pressure. US efforts to stem the flow of arms to Iran began to take hold in late 1983 and 1984. In our view, several West European states--including Belgium, Italy, Portugal, Spain, and the United Kingdom--have had less room to maneuver in decisions on sales to Iran since receiving US demarches. [REDACTED]

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[REDACTED] concern about a US reaction is now cited as an important limiting factor by most Western countries considering increasing sales to Iran. Moderate Arab states--mainly Egypt and Saudi Arabia--have also used their economic and political clout to lobby in Western capitals against arms sales to Iran. We judge that Saudi threats to curtail trade with South Korea, for example, figure prominently in Seoul's continued adherence to its ban on arms sales to Tehran. [REDACTED]

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Iraqi Influence. In our view, the importance of economic and military ties with Baghdad is another constraint on sales to Iran for several Western countries and the Soviet Union.

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[REDACTED] French officials recently told US Embassy officers that French policy toward Iran is not likely to change significantly and that Iraq remains a favored arms client. We believe the Soviets are unlikely to risk antagonizing Baghdad--their second leading arms customer--by heightening their indirect role in supplying Tehran. [REDACTED] Moscow, in fact, may be pressuring Libya to end its military assistance to Tehran because of its desire to prevent an Iranian victory and safeguard its alliance with Iraq. [REDACTED]

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Doubts About Iran. In our view, most Western countries and the Soviet Union continue to harbor doubts about the direction of the Khomeini regime because of its radical political stance and

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involvement in terrorist acts. [REDACTED]

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[REDACTED] officials in several West European governments, for example, favor continued support of Iraq as a bulwark against the expansion of Iranian Islamic fundamentalism. In our view, another factor in Moscow's thinking is pessimism about getting any significant political concessions from Khomeini, who continues to be highly critical of the Soviets. [REDACTED]

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Next 1 Page(s) In Document Denied